

The settlement of the dispute over U.S. Customs' treatment of rougher headed lumber is covered by the following exchange of letters. The exchange of letters constitutes an amendment to the 1996 U.S.-Canada Softwood Lumber Agreement, effective October 24, 2000.

October 24, 2000

Mr. Douglas G. Waddell
Minister (Economic) and
Deputy Head of Mission
Canadian Embassy
501 Pennsylvania Avenue NW
Washington, DC 20001-2114

Dear Mr. Waddell:

I have the honor to refer to the Softwood Lumber Agreement between the Government of the United States of America and the Government of Canada, signed in Washington on May 29, 1996 (the "Agreement").

I propose that, in settlement of the arbitration brought by Canada pursuant to Article V of the Agreement regarding the U. S. Customs Service's June 9, 1999, revocation of rougher headed lumber ruling letters (the "arbitration"), Article II of the Agreement be amended to add an additional paragraph 12 to that Article which will read as follows:

"12. Notwithstanding paragraph 2, in the year ending March 31, 2001, Canada may allocate an additional 72.5 million board feet among softwood lumber exporters for which no fee shall be collected on issuance of a permit for export to the United States."

This amendment will permit such additional amount to be exported fee-free from Canada to the United States of America. This amendment will be effective upon entry into force as set out below, will not be retroactive and will remain in force until the expiration of the Agreement on March 31, 2001.

If the proposed amendment is acceptable to the Government of Canada, this letter and your reply to that effect will constitute a full settlement of the arbitration pursuant to Article V of the Agreement. This settlement is without prejudice to the merits of the Parties' claims respecting the consistency of the June 9, 1999 revocation with the Agreement. Accordingly, I propose that upon entry into force of this amendment, the Parties notify the Panel to whom the arbitration has been referred that a mutually satisfactory resolution has been reached and request that proceedings be terminated immediately.

I have the honor to propose that if the proposed amendment contained in this letter is acceptable to the

Government of Canada, pursuant to Article VIII of the Agreement, this letter and your reply to that effect shall constitute an amendment to the Agreement, which shall enter into force on the date of your reply.

Sincerely,

Richard W. Fisher

His Excellency Richard Fisher
Deputy United States Trade Representative
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Fisher:

I am pleased to receive your letter of today's date, which reads as follows:

I have the honor to refer to the Softwood Lumber Agreement between the Government of the United States of America and the Government of Canada, signed in Washington on May 29, 1996 (the "Agreement").

I propose that, in settlement of the arbitration brought by Canada pursuant to Article V of the Agreement regarding the U. S. Customs Service's June 9, 1999, revocation of rougher headed lumber ruling letters (the "arbitration"), Article II of the Agreement be amended to add an additional paragraph 12 to that Article which will read as follows:

"12. Notwithstanding paragraph 2, in the year ending March 31, 2001, Canada may allocate an additional 72.5 million board feet among softwood lumber exporters for which no fee shall be collected on issuance of a permit for export to the United States."

This amendment will permit such additional amount to be exported fee-free from Canada to the United States of America. This amendment will be effective upon entry into force as set out below, will not be retroactive and will remain in force until the expiration of the Agreement on March 31, 2001.

If the proposed amendment is acceptable to the Government of Canada, this letter and your

reply to that effect will constitute a full settlement of the arbitration pursuant to Article V of the Agreement. This settlement is without prejudice to the merits of the Parties' claims respecting the consistency of the June 9, 1999 revocation with the Agreement. Accordingly, I propose that upon entry into force of this amendment, the Parties notify the Panel to whom the arbitration has been referred that a mutually satisfactory resolution has been reached and request that proceedings be terminated immediately.

I have the honor to propose that if the proposed amendment contained in this letter is acceptable to the Government of Canada, pursuant to Article VIII of the Agreement, this letter and your reply to that effect shall constitute an amendment to the Agreement, which shall enter into force on the date of your reply.

I have the honour to confirm that the proposed amendment contained in your letter is acceptable to the Government of Canada, and that your letter and this reply, in the English and French languages, each text being equally authentic, shall constitute an amendment to the Agreement pursuant to Article VIII of the Agreement, which shall enter into force on this date. I further have the honour to confirm that your letter and this reply shall constitute a full settlement of the arbitration brought pursuant to Article V of the Agreement on the U. S. Customs Service's June 9, 1999, revocation of rougher headed lumber ruling letters.

Sincerely,

Douglas G. Waddell